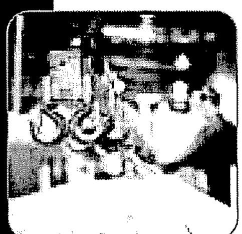
Chandler | The 2000 acquisition of a drawn seamless tube facility in Chandler, Arizona, expanded Kaiser's high value-added product line and geographic coverage in the Engineered Products business.



Driving Performance to New Levels

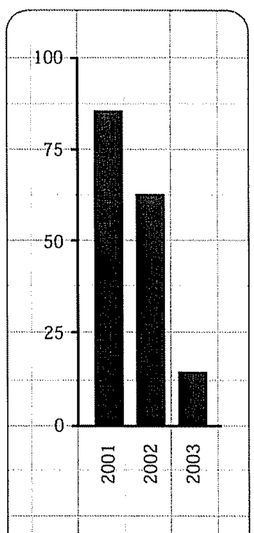
We worked relentlessly in 2000 to achieve full potential in our operating units.

- Our fabricating businesses reached new levels of on-time delivery performance to customers while cutting manufacturing flow times by as much as 30%. Customer feedback would suggest that this delivery performance has set a new industry standard.
- Corporate-wide health and safety performance reached best-ever levels - driven by continued application of basic safety, health and loss prevention processes, employee involvement, and emphasis on employee education and training.
- As mentioned, the Gramercy refinery commenced operations in late 2000. The design enhancements include state-of-the-art operational integrity systems and - compared to previous operating levels - a 16% increase in rated capacity, a significant improvement in product quality, reductions of more than 50% in certain air emissions, and the ability to reduce operating costs by as much as 20%.
- Kaiser realized the benefit of a new production record of more than 3.7 million metric tonnes at the 28.3%-owned QAL alumina refinery in Australia. The facility is one of the largest and lowest cost alumina producers in the world and continues to improve because of ongoing process improvement and efficiency initiatives.

Making Growth Investments in Our Future

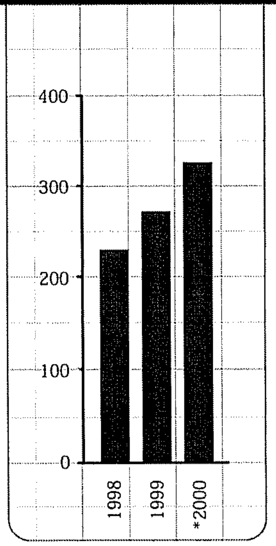
Investing our hard-earned cash is one of the most important things we do. We're proud of the following investments and look forward to their future contributions.

- In 2000, the company funded $140 million for its share of the Gramercy refinery enhancement and rebuild. Work continues on the project during the first half of 2001. In addition to the previously cited benefits of this project, a portion of Gramercy's increased capacity is devoted to the high value-added chemical business, where we see continued growth opportunities.
- We strengthened the competitive position and broadened the product offering of our Engineered Products business by acquiring an aluminum drawn tube facility in Chandler, Arizona, for $16 million. The facility produces high value-added drawn seamless aluminum tubing in various alloys for application in aerospace, sporting goods, medical equipment, and other industries. In addition, Chandler is a perfect fit with our other tube capabilities; its tube stock is supplied by our Richland, Washington, plant and its product line extends and complements that of our Bellwood, Virginia, plant.



We Have a Solid Hedge Position for 2001 and 2002

(percent of net hedgeable volume covered as of February 28, 2001)



Employees at the Mead Smelter Achieved Record Productivity

(pounds of aluminum produced per hour worked)

* For the five months of 2000 preceding partial curtailment in June.

- We initiated a $14 million project to expand capacity and reduce manufacturing costs at our extrusion plants in Tulsa, Oklahoma, and Richland, Washington. The Tulsa project will double the facility's annual production capacity to about 40 million pounds when completed in mid-2002 and reposition the facility as a low-cost producer of distribution-standard extrusions. The Richland plant is relocating to a new site nearby and upgrading its extrusion press equipment. The Richland project is scheduled for completion in the second half of 2001.
- We completed the final phase of capital investment in a previously announced project at our Trentwood, Washington, rolling mill that boosted heat-treat manufacturing capacity. In 2000, this value-added product line accounted for almost 36% of Flat-Rolled Products shipments and most of the unit's operating income.
- We invested to strengthen our hedge position for 2001 and 2002 and thus to help ensure cash generation to support our capital requirements. As of February 2001, the company's metal hedge position amounted to approximately 82% for 2001 and 63% for 2002.
- We invested as a founding partner in Metal Spectrum to participate in the emerging e-commerce market for fabricated products.

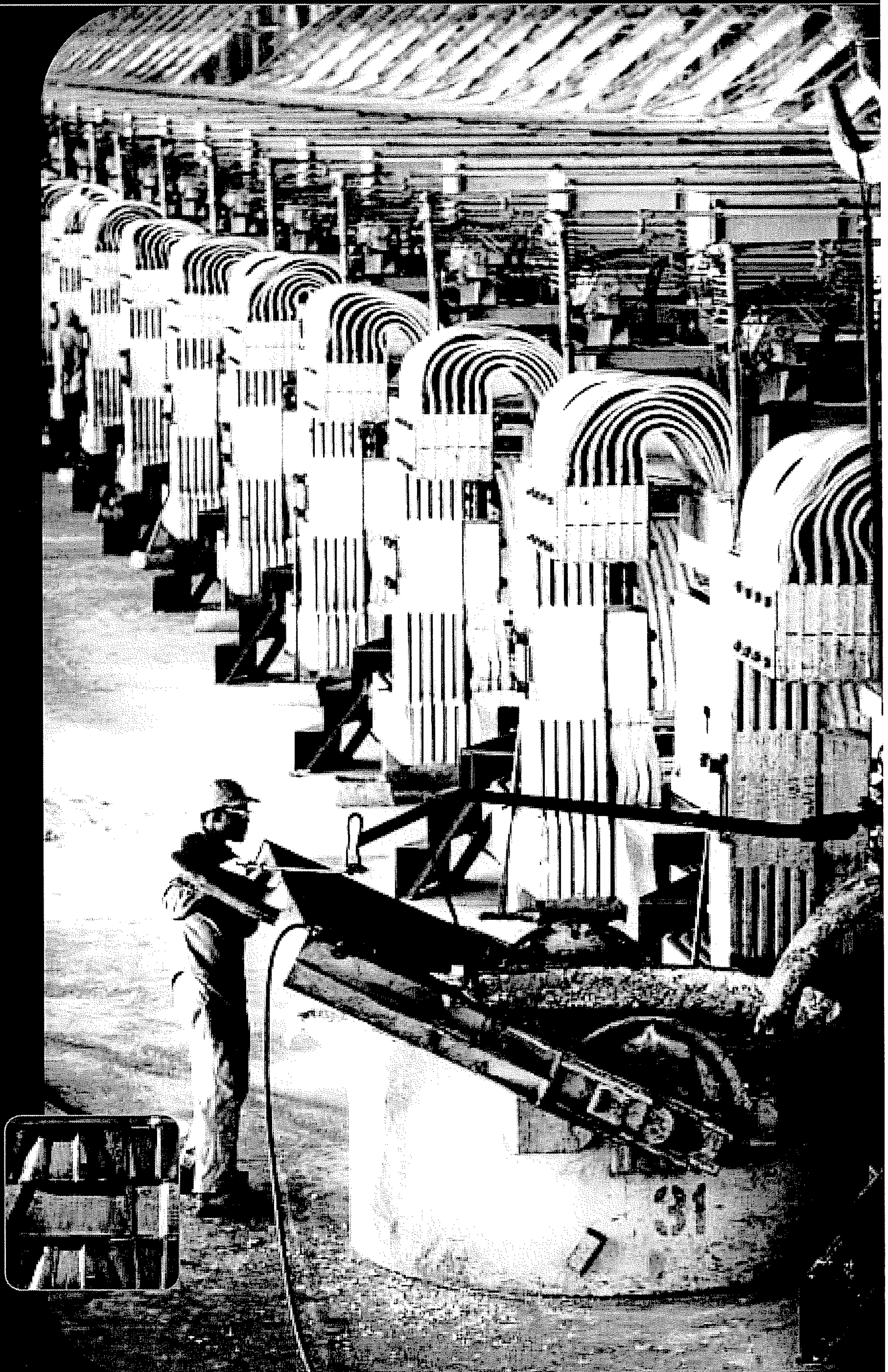
Evaluating Longer-Term Opportunities

The company continues to evaluate longer-term growth opportunities. Despite the company's current capital constraints, we believe we have the ability to apply focus and discipline to the pursuit of earnings growth.

- We have identified capital-productive growth opportunities at our alumina refineries that could increase system-wide annual capacity by 37%. Specifically, we see attractive expansion potential at all three refineries (in millions of annual metric tonnes): Gramercy from 1.25 to 1.5; 28.3%-owned QAL from 3.65 to 5.2; and 65%-owned Alpart from 1.45 to 2.0. Each of these projects could potentially be done in affordable increments. Although we have not yet committed capital to such expansion projects - and two of the three require approval of our joint venture partners - the potential for value creation is enormous.
- Following up on the Chandler acquisition in 2000, we continue to evaluate other acquisitions in the Engineered Products business. Given our manufacturing and technical expertise and our acknowledged position as a leader in customer service, growth in this business is a natural next step for us.

Bellwood | The 1997 acquisition of the Bellwood soft alloy extrusion plant in Virginia increased Kaiser's extrusion capacity by 30%.

Valco | The 90%-owned Valco smelter in Ghana, West Africa, is assured of hydroelectric power sufficient to support at least an 80% operating rate through 2001 and expects sufficient power to operate at a minimum of 70% in 2002.



Addressing Key Issues

We enter 2001 feeling good about our accomplishments but mindful of the issues still to be resolved.

- Aluminum smelters in the Pacific Northwest are likely to face the daunting prospect of reduced operating rates and higher power prices. We will continue to work with the Bonneville Power Administration and other constituents on fair, reasonable, and creative solutions to this issue. While we intend to help offset the impact of the Northwest smelter curtailment with proceeds from power sales, the long-term regional picture is unclear.
- We must use cash resources and selectively sell certain assets to help address the near-term debt maturities of our Credit Agreement and our 9-7/8% senior notes.
- We must complete the Gramercy rebuild within the revised capital budget and favorably resolve open issues with our insurers.
- We intend to continue our aggressive management of asbestos claims. Kaiser has significant insurance coverage to offset a substantial portion of these claims and, as result, we believe the cash flow impact is manageable.
- We will continue our vigorous defense against charges of unfair labor practices in a trial being conducted by the National Labor Relations Board. We believe there is absolutely no merit to the charges.

Looking Ahead

Operationally, we face the prospect of a slowing U.S. economy in 2001, weakened demand for a number of our products, as well as higher energy prices. Despite these and other challenges, I am optimistic that the company can continue to make progress and strengthen itself for the future. In particular, our excellent management team has demonstrated a unique talent for creatively tapping the full potential of our asset base and resolving issues with an entrepreneurial flair that I believe is unusual in a large industrial company. With a constancy of purpose, we will continue to move forward rapidly to renew the company.

Raymond J. Milchovich

Raymond J. Milchovich
President and Chief Executive Officer
April 2, 2001

2000 OPERATIONS AT A GLANCE

Listed below are major facilities and figures relating to 2000 production, internal use, and customer shipments. Facilities are 100% owned unless otherwise specified. Production shown includes Kaiser's portion of production from partially owned facilities. Customer shipments and intracompany use may not add to production total due to the impact of purchases, inventory changes, and metal swaps. Figures are in thousands of metric tonnes.

Alumina/Bauxite: four facilities: Gramercy, Louisiana; Alumina Partners of Jamaica (Alpart, 65%); Kaiser Jamaica Bauxite Company (KJBC, 49%); Queensland Alumina Limited, Australia (QAL, 28.3%).

Bauxite
4,305 produced

2,342 intracompany use
2,007 to third parties

Alumina
2,043 produced
322 purchased*

752 intracompany use
1,927 to third parties

Primary Aluminum: four smelters: Mead and Tacoma, Washington; Anglesey Aluminium Limited, Wales (49%); Volta Aluminium Company Limited, Ghana (Valco, 90%).

411 produced

149 intracompany use
346 to third parties

Flat-Rolled Products: one facility

Trentwood, Washington

162 to third parties

Engineered Products: 11 major facilities

Chandler, Arizona
Los Angeles, California
Oxnard, California
Newark, Ohio
Tulsa, Oklahoma
Greenwood, South Carolina
Jackson, Tennessee
Sherman, Texas
Richmond, Virginia
Richland, Washington
London, Ontario, Canada

165 to third parties

*Although the company does not typically purchase significant amounts of alumina from third parties, it elected to do so in 2000 because the Gramercy refinery did not operate from January 1, 2000 through mid December 2000, as described elsewhere in this report

Kaiser Aluminum Corporation (" Kaiser" or the" Company"), through its wholly owned subsidiary, Kaiser Aluminum & Chemical Corporation (" KACC"), operates in the following business segments: Bauxite and alumina, Primary aluminum, Flat-rolled products, Engineered products and Commodities marketing. The Company uses a portion of its bauxite, alumina, and primary aluminum production for additional processing at certain of its downstream facilities. Intersegment transfers are valued at estimated market prices. The table below provides selected operational and financial information on a consolidated basis with respect to the Company for the years ended December 31, 2000, 1999 and 1998. The following data should be read in conjunction with the Company's consolidated financial statements and the notes thereto, contained elsewhere herein. See Note 14 of Notes to Consolidated Financial Statements for further information regarding segments. (All references to tons refer to metric tons of 2,204.6 pounds.)

	Year Ended December 31,		
(In millions of dollars, except shipments and prices)	2000	1999	1998
Shipments: (000 tons)			
Alumina(1)			
Third Party	1,927.1	2,093.9	2,250.0
Intersegment	751.9	757.3	750.7
Total Alumina	2,679.0	2,851.2	3,000.7
Primary Aluminum(2)			
Third Party	345.5	295.6	263.2
Intersegment	148.9	171.2	162.8
Total Primary Aluminum	494.4	466.8	426.0
Flat-Rolled Products	162.3	217.9	235.6
Engineered Products	164.6	171.1	169.4
Average Realized Third Party Sales Price:(3)(4)			
Alumina (per ton)	$ 209	$ 176	$ 184
Primary Aluminum (per pound)	$ .74	$ .66	$ .67
Net Sales:(3)			
Bauxite and Alumina(1)(4)			
Third Party (includes net sales of bauxite)	$ 442.2	$ 395.8	$ 445.2
Intersegment	148.3	129.0	135.8
Total Bauxite & Alumina	590.5	524.8	581.0
Primary Aluminum(2)(4)			
Third Party	563.7	432.9	390.7
Intersegment	242.3	240.6	233.5
Total Primary Aluminum	806.0	673.5	624.2
Flat-Rolled Products	521.0	591.3	732.7
Engineered Products	564.9	556.8	595.3
Commodities Marketing(4)	(25.4)	18.3	60.5
Minority Interests	103.4	88.5	78.0
Eliminations	(390.6)	(369.6)	(369.3)
Total Net Sales	$ 2,169.8	$ 2,083.6	$ 2,302.4

(In millions of dollars, except shipments and prices)	Year Ended December 31, 2000	1999	1998
Operating Income (Loss):[7][8]			
Bauxite & Alumina[4][5]	$ 57.2	$ (10.5)	$ 5.5
Primary Aluminum[4][6]	100.1	(4.8)	28.3
Flat-Rolled Products	16.6	17.1	86.8
Engineered Products	34.1	38.6	51.5
Commodities Marketing[4]	(48.7)	21.3	98.1
Micromill	(.6)	(11.6)	(18.4)
Eliminations	.1	6.9	8.9
Corporate and Other	(61.4)	(61.8)	(65.1)
Labor Settlement Charge	(38.5)	-	-
Other Non-Recurring Operating Items, Net	80.4	(24.1)	(105.0)
Total Operating Income (Loss)	$ 139.3	$ (28.9)	$ 90.6
Net Income (Loss)	$ 16.8	$ (54.1)	$ .6
Capital Expenditures	$ 296.5	$ 68.4	$ 77.6

(1) Net sales for 2000 and 1999 included approximately 267,000 tons and 264,000 tons, respectively, of alumina purchased from third parties and resold to certain unaffiliated customers and 55,000 tons and 131,000 tons, respectively, of alumina purchased from third parties and transferred to the Company's primary aluminum business unit.

(2) Net sales for 2000, 1999 and 1998 included approximately 206,500 tons, 260,100 tons and 251,300 tons, respectively, of primary aluminum purchased from third parties to meet third-party and internal commitments.

(3) Net sales for 1999 and 1998 for all segments have been restated to conform to a new accounting requirement which states that freight charges should be included in cost of products sold rather than netted against net sales as was the Company's prior policy. Average realized prices for the Company's Flat-rolled products and Engineered products segments are not presented as such prices are subject to fluctuations due to changes in product mix.

(4) Average realized third-party sales prices, net sales and operating income (loss) for Bauxite and alumina and Primary aluminum segments for 1999 and 1998 have been restated to reflect a change in the Company's segment reporting. The results of KACC's metal hedging activities are now set out separately in the Commodities marketing segment rather than being allocated between the two commodity business units.

(5) Operating income (loss) for 2000 and 1999 included estimated business interruption insurance recoveries totaling $110.0 and $41.0, respectively. Additionally, depreciation was suspended for the Gramercy facility for the period from July 1999 to December 2000 as a result of the July 1999 incident. Depreciation expense for the Gramercy facility for the six months ended June 30, 1999, was approximately $6.0. See Note 2 of Notes to Consolidated Financial Statements for additional information.

(6) Operating income (loss) for the year ended December 31, 1999, included potline preparation and restart costs of $12.8.

(7) The allocation of the labor settlement charges to the Company's business units for the year ended December 31, 2000 is as follows: Bauxite and Alumina - $2.1, Primary aluminum - $15.9, Flat-rolled products - $18.2 and Engineered products - $2.3.

(8) See Note 6 of Notes to Consolidated Financial Statements for a detailed summary of the components of non-recurring operating items, net (other than the labor settlement charges) and the business segment to which the items relate.